

103D CONGRESS
1ST SESSION

H. R. 28

To promote accountability, diversity, and the public interest in the operation
of the Federal Reserve System, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 5, 1993

Mr. GONZALEZ introduced the following bill; which was referred to the
Committee on Banking, Finance and Urban Affairs

A BILL

To promote accountability, diversity, and the public interest
in the operation of the Federal Reserve System, and
for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Federal Reserve Sys-
5 tem Accountability Act of 1993”.

1 **SEC. 2. PUBLIC ACCOUNTABILITY OF PRESIDENTS AND**
2 **BOARDS OF DIRECTORS OF FEDERAL RE-**
3 **SERVE BANKS.**

4 “(a) IN GENERAL.—Section 4 of the Federal Reserve
5 Act (12 U.S.C. 341, 301 et seq.) is amended to read as
6 follows:

7 **“SEC. 4. FEDERAL RESERVE BANKS.**

8 “(a) GENERAL CORPORATE POWERS.—Upon the fil-
9 ing of an organization certificate with the Comptroller of
10 the Currency in accordance with this Act, a Federal re-
11 serve bank shall become a body corporate and as such,
12 and in the name designated in such organization certifi-
13 cate, shall have the following powers:

14 “(1) CORPORATE SEAL.—To adopt and use a
15 corporate seal.

16 “(2) SUCCESSION.—To have succession until
17 dissolved by an Act of Congress or until forfeiture
18 of franchise for violation of law.

19 “(3) CONTRACT AUTHORITY.—To make con-
20 tracts.

21 “(4) LITIGATION AUTHORITY.—To sue and be
22 sued, complain and defend, in any court of law or
23 equity.

24 “(5) APPOINTMENT OF OFFICERS OTHER THAN
25 THE PRESIDENT.—To appoint, by the board of di-
26 rectors, vice presidents and such other officers and

1 employees as are not otherwise provided for in this
2 Act, to define their duties, require bonds for them
3 and fix the penalty thereof, and to dismiss at pleas-
4 ure such officers or employees.

5 “(6) ADOPTION OF BY-LAWS AND OTHER AD-
6 MINISTRATIVE AUTHORITY.—To prescribe by the
7 board of directors, by-laws not inconsistent with law,
8 regulating the manner in which its general business
9 may be conducted, and the privileges granted to it
10 by law may be exercised and enjoyed.

11 “(7) INCIDENTAL POWERS.—To exercise by the
12 board of directors, or duly authorized officers or
13 agents, all powers specifically granted by the provi-
14 sions of this Act and such incidental powers as shall
15 be necessary to carry on the business of banking
16 within the limitations prescribed by this Act.

17 “(8) CIRCULATING NOTES.—Upon deposit with
18 the Treasurer of the United States of any bonds of
19 the United States in the manner provided by exist-
20 ing law relating to national banks, to receive from
21 the Comptroller of the Currency circulating notes in
22 blank, registered and countersigned as provided by
23 law, equal in amount to the par value of the bonds
24 so deposited, such notes to be issued under the same
25 conditions and provisions of law as relate to the

1 issue of circulating notes of national banks secured
2 by bonds of the United States bearing the circulat-
3 ing privilege, except that the issue of such notes
4 shall not be limited to the capital stock of such Fed-
5 eral reserve bank.

6 “(b) PRESIDENT AND FIRST VICE PRESIDENT.—

7 “(1) OFFICE OF THE PRESIDENT.—

8 “(A) IN GENERAL.—Each Federal reserve
9 bank shall have a president who shall be the
10 chief executive officer of the bank and all other
11 executive officers and all employees of the bank
12 shall be directly responsible to the president.

13 “(B) APPOINTMENT.—The president of
14 each Federal reserve bank shall be appointed by
15 the President of the United States, by and with
16 the consent of the Senate, without discrimina-
17 tion on the basis of race, creed, color, sex, or
18 national origin.

19 “(C) DIVERSIFIED REPRESENTATION.—In
20 appointing the presidents of the Federal reserve
21 banks, the President shall include representa-
22 tives of agriculture, small business, labor,
23 consumer and community organizations,
24 women, and minorities.

25 “(2) OFFICE OF THE FIRST VICE PRESIDENT.—

1 “(A) IN GENERAL.—Each Federal reserve
2 bank shall have a first vice president who shall,
3 in the absence or disability of the president or
4 during a vacancy in the office of president,
5 serve as chief executive officer of the bank.

6 “(B) TIME LIMIT ON SERVICE AS ACTING
7 CHIEF EXECUTIVE OFFICER.—The first vice
8 president of a Federal reserve bank may serve
9 as the chief executive officer of the bank under
10 subparagraph (A) for not more than 120 days.

11 “(3) TERMS.—The president of any Federal re-
12 serve bank shall be appointed for a term of 5 years.

13 “(4) VACANCIES.—Whenever a vacancy shall
14 occur in the office of the president, the vacancy shall
15 be filled in the manner in which the original appoint-
16 ment was made and the person so appointed shall
17 hold office until the expiration of the term to which
18 such person’s predecessor was appointed.

19 “(c) BOARD OF DIRECTORS.—

20 “(1) IN GENERAL.—Each Federal reserve bank
21 shall be conducted under the supervision and control
22 of a board of directors.

23 “(2) DUTIES OF DIRECTORS.—

24 “(A) IN GENERAL.—The board of directors
25 shall perform the duties usually appertaining to

1 the office of directors of banking associations
2 and all such duties as are prescribed by law.

3 “(B) ADMINISTRATION OF AFFAIRS EX-
4 TENSION OF CREDIT.—Each board of directors
5 of a Federal reserve bank—

6 “(i) shall administer the affairs of the
7 bank fairly and impartially and without
8 discrimination in favor of or against any
9 member bank; and

10 “(ii) may, subject to the provisions of
11 law and the orders of the Board of Gov-
12 ernors of the Federal Reserve System, ex-
13 tend to each member bank such discounts,
14 advancements, and accommodations as
15 may be safely and reasonably made with
16 due regard for the claims and demands of
17 other member banks, the maintenance of
18 sound credit conditions, and the accommo-
19 dation of commerce, industry, and agri-
20 culture.

21 “(3) REGULATION BY BOARD OF GOVERNORS
22 OF EXTENSION OF CREDIT.—The Board of Gov-
23 ernors of the Federal Reserve System may prescribe
24 regulations defining (within the limitations of this
25 Act) the conditions under which discounts, advance-

ments, and the accommodations may be extended by a Federal reserve bank to member banks.

“(4) REGULATION BY BOARD OF DIRECTORS OF EXTENSION OF CREDIT.—

“(A) COLLECTION AND REVIEW OF INFORMATION.—Each Federal reserve bank shall keep itself informed of the general character and amount of the loans and investments of its member banks with a view to ascertaining whether undue use is being made of bank credit for the speculative carrying of or trading in securities, real estate, or commodities, or for any other purpose inconsistent with the maintenance of sound credit conditions.

“(B) CONSIDERATION OF INFORMATION IN MAKING CREDIT DECISIONS.—In determining whether to grant or refuse any advance, rediscount, or other credit accommodation, a Federal reserve bank shall give consideration to the information maintained pursuant to subparagraph (A).

“(5) REPORT TO BOARD OF GOVERNORS OF UNDUE USE OF CREDIT.—The chairperson of the board of directors of each Federal reserve bank shall report to the Board of Governors of the Federal Re-

1 serve System any undue use of bank credit by any
2 member bank, together with the chairperson's rec-
3 ommendation.

4 “(6) SUSPENSION OF MEMBER BANK FROM USE
5 OF CREDIT FACILITIES.—Whenever, in the judgment
6 of the Board of Governors of the Federal Reserve
7 System, any member bank is making such undue use
8 of bank credit, the Board may, in the Board's dis-
9 cretion and after reasonable notice and an oppor-
10 tunity for a hearing, suspend such bank from the
11 use of the credit facilities of the Federal Reserve
12 System and may terminate or renew the suspension
13 at any time.

14 “(d) NUMBER AND CLASSES OF DIRECTORS AND RE-
15 LATED REQUIREMENTS.—

16 “(1) IN GENERAL.—The board of directors of
17 each Federal reserve bank shall consist of a total of
18 9 members divided into 2 classes, designated as
19 classes A and B.

20 “(2) CLASS A DIRECTORS.—Class A shall con-
21 sist of 3 members elected in accordance with sub-
22 section (e) by the stock-holding banks without dis-
23 crimination on the basis of race, creed, color, sex, or
24 national origin who shall be representative of such
25 banks.

1 “(3) CLASS B DIRECTORS.—Class B shall con-
2 sist of 6 members appointed in accordance with sub-
3 section (f) by the Board without discrimination on
4 the basis of race, creed, color, sex, or national origin
5 who shall represent the public and be representative
6 of the public.

7 “(4) CHAIRPERSON.—The Board shall des-
8 ignate 1 of the class B members of any Federal re-
9 serve bank to serve as the chairperson of the board
10 of directors of such bank.

11 “(5) INELIGIBILITY OF MEMBERS OF CON-
12 GRESS.—No Senator or Representative in Congress
13 shall be a member of the Board of Governors of the
14 Federal Reserve System or an officer or a director
15 of a Federal reserve bank.

16 “(6) TERMS OF DIRECTORS.—

17 “(A) IN GENERAL.—Each member of the
18 board of directors of a Federal reserve bank
19 shall be elected or appointed, as the case may
20 be, for a term of 3 years.

21 “(B) INTERIM APPOINTMENTS.—Any di-
22 rector elected or appointed to fill a vacancy oc-
23 curring before the expiration of the term for
24 which the director’s predecessor was elected or

1 appointed shall be elected or appointed only for
2 the remainder of such term.

3 “(7) VACANCIES.—Any vacancy on the board of
4 directors of any Federal reserve bank shall be filled
5 in the manner in which the original selection was
6 made.

7 “(e) NOMINATION AND ELECTION OF CLASS A DI-
8 RECTORS.—

9 “(1) DESIGNATION OF VOTING BLOCS.—

10 “(A) IN GENERAL.—The Board of Gov-
11 ernors of the Federal Reserve System shall clas-
12 sify the member banks of the district of each
13 Federal reserve bank into 3 general groups,
14 designating each group by number.

15 “(B) CRITERIA.—In classifying member
16 banks into groups pursuant to subparagraph
17 (A), the Board shall take such action as may be
18 reasonable to ensure that each group consists
19 as nearly as may be of banks of similar capital-
20 ization.

21 “(2) NOMINATION PROCESS.—Subject to para-
22 graphs (3) and (4)—

23 “(A) BANK NOMINATIONS.—Each member
24 bank shall be permitted to nominate to the
25 chairperson of the board of directors of the

1 Federal reserve bank of the district 1 candidate
2 for director of Class A.

3 “(B) PREPARATION OF LISTS OF NOMI-
4 NEES.—The candidates nominated by the mem-
5 ber banks of each group shall be listed by the
6 chairperson of the board of directors of the
7 Federal reserve bank of the district, indicating
8 by whom nominated, and a copy of the list for
9 such group shall, within 15 days after the com-
10 pletion of the list, be furnished by the chair-
11 person to each member bank of the group.

12 “(3) ELECTION PROCESS.—Subject to para-
13 graph (4)—

14 “(A) APPOINTMENT OF ELECTOR FOR
15 EACH BANK.—Each member bank, by a resolu-
16 tion of the board or by an amendment to the
17 bank’s by-laws, shall authorize the bank’s presi-
18 dent, cashier, or some other officer to cast the
19 vote of the member bank in the elections of
20 class A directors.

21 “(B) PREFERENTIAL BALLOT.—Before the
22 end of the 15-day period beginning on the date
23 of the receipt of the list of candidates in accord-
24 ance with paragraph (2)(B), the officer ap-
25 pointed by a member bank pursuant to sub-

1 paragraph (A) shall certify to the chairperson
2 of the board of directors of the Federal reserve
3 bank of the district the officer's 1st, 2d, and
4 other choices for class A director from such list
5 upon a preferential ballot upon a form fur-
6 nished by the chairperson of the board of direc-
7 tors of the Federal reserve bank of the district
8 by making a cross opposite the name of such
9 1st, 2d, and other choices but shall not vote
10 more than 1 choice for any 1 candidate.

11 “(C) COUNTING THE BALLOTS.—

12 “(i) 1ST COLUMN WINNER.—Any can-
13 didate having a majority of all votes cast
14 in the column for 1st choice on the ballot
15 for any group shall be declared elected.

16 “(ii) TAKING 2D COLUMN INTO AC-
17 COUNT.—If no candidate has been declared
18 elected by any group under clause (i), the
19 candidate who has the highest number of
20 votes after taking into account the total
21 number of votes cast for each candidate in
22 the columns for 1st and 2d choice on the
23 ballot for such group by a majority of the
24 electors voting in such group shall be de-
25 clared elected.

1 “(iii) TAKING OTHER CHOICES INTO
2 ACCOUNT.—If no candidate has been de-
3 clared elected by any group under clause
4 (i) or (ii), the candidate who has the high-
5 est number of votes after taking into ac-
6 count the total number of votes cast for
7 each candidate in the columns for 1st, 2d,
8 and other choices on the ballot for such
9 group shall be declared elected.

10 “(4) RULES GOVERNING ELIGIBILITY OF DIREC-
11 TORS AND ELECTORS.—

12 “(A) ELIGIBILITY OF DIRECTORS ON BASIS
13 OF GROUP.—No individual who is a director or
14 officer of a member bank shall be eligible to
15 serve as a Class A director unless nominated
16 and elected by banks which are members of the
17 same group as the member bank of which such
18 individual is an director or officer.

19 “(B) SPECIAL RULE IN CASE OF CAN-
20 DIDATE SERVING MORE THAN 1 BANK.—If any
21 individual is a director or officer of more than
22 1 member bank, subparagraph (A) shall be ap-
23 plied by taking into account only the member
24 bank (of which such individual is the director or
25 officer) which has the largest aggregate re-

1 sources of all of the banks of which such indi-
2 vidual is a director or officer.

3 “(C) ELECTORS FOR HOLDING COMPA-
4 NIES.—

5 “(i) IN GENERAL.—If 2 or more mem-
6 ber banks in a Federal reserve district are
7 subsidiaries of the same bank holding com-
8 pany (as defined in section 2 of the Bank
9 Holding Company Act of 1956), only 1
10 member bank affiliate of such holding com-
11 pany shall be eligible to participate in the
12 nomination or election of class A directors
13 for such district under this subsection by
14 such member banks.

15 “(ii) DESIGNATION OF ELIGIBLE PAR-
16 TICIPANT.—Any bank holding company
17 which has 2 or more member bank subsidi-
18 aries in a Federal reserve district shall des-
19 ignate 1 such bank as the eligible bank for
20 purposes of clause (i).

21 “(iii) RULE APPLICABLE TO BANK
22 WHICH IS A BANK HOLDING COMPANY.—A
23 member bank which is a bank holding
24 company (as defined in section 2 of the
25 Bank Holding Company Act of 1956) shall

1 be treated as a subsidiary of a bank hold-
2 ing company for purposes of determining
3 the number of member banks within a
4 bank holding company which are eligible to
5 participate in the nomination or election of
6 class A directors and the designation of the
7 bank pursuant to clauses (i) and (ii).

8 “(D) INELIGIBILITY OF OFFICERS AND
9 EMPLOYEES OF BANKS CONTROLLED BY A FOR-
10 EIGN GOVERNMENT.—

11 “(i) IN GENERAL.—A director, officer,
12 employee, or controlling shareholder of—

13 “(I) any foreign bank which is
14 controlled by the government of a for-
15 eign country; or

16 “(II) any branch or agency of, or
17 company controlled by, any such for-
18 eign bank,

19 shall not be eligible for appointment or
20 election to the board of directors of any
21 Federal reserve bank.

22 “(ii) PROHIBITION ON PARTICIPATION
23 IN NOMINATION AND ELECTION OF CLASS
24 A DIRECTORS.—A foreign bank which is
25 controlled by the government of a foreign

1 country and a branch or agency of, or
2 company controlled by, any such foreign
3 bank may not participate in the nomina-
4 tion or election of class A directors.

5 “(iii) DETERMINATION OF CON-
6 TROL.—Any foreign government which,
7 under section 2 of the Bank Holding Com-
8 pany Act of 1956, would be a bank holding
9 company with respect to a foreign bank
10 if—

11 “(I) such government were a
12 company (as defined in such Act)
13 which is subject to the Act; and

14 “(II) the foreign bank were a
15 bank within the meaning of the Act,
16 shall be deemed to control the foreign bank
17 for purposes of this section.

18 “(iv) APPLICABILITY OF SECTION 2
19 OF THE BANK HOLDING COMPANY ACT.—
20 Section 2 of the Bank Holding Company
21 Act of 1956 shall apply to—

22 “(I) any determination by the
23 Board, pursuant to clause (iii), of the
24 applicability of this subparagraph to
25 any foreign bank; and

1 “(II) the procedures for making
2 and reviewing any such determination.

3 “(f) PROVISIONS RELATING TO CLASS B DIREC-
4 TORS.—

5 “(1) DIVERSIFIED REPRESENTATION.—In ap-
6 pointing class B members of the board of directors
7 of each Federal reserve bank, the Board shall in-
8 clude representatives of agriculture, small business,
9 labor, consumer and community organizations,
10 women, and minorities.

11 “(2) ELIGIBILITY PROVISION.—No individual
12 may be appointed as the director of a Federal re-
13 serve bank who—

14 “(A) has resided in such bank’s district for
15 less than 2 years; or

16 “(B) has been a director, officer, employee,
17 or controlling shareholder of a depository insti-
18 tution (as defined in section 19(b)(1)(A)) or
19 any affiliate of a depository institution at any
20 time during the preceding 2-year period.

21 “(3) INELIGIBILITY OF CLASS B DIRECTORS
22 FOR OTHER OFFICES.—No class B director may be
23 a director, officer, employee, or shareholder of any
24 depository institution (as defined in section
25 19(b)(1)(A)) or depository institution holding com-

1 pany (as defined in section 3(w)(1) of the Federal
2 Deposit Insurance Act).

3 “(g) CHAIRPERSON AND FEDERAL RESERVE AGENT;
4 DEPUTY CHAIRPERSON.—

5 “(1) CHAIRPERSON AND FEDERAL RESERVE
6 AGENT.—The Board shall designate 1 of the class B
7 members as the chairperson of the board of directors
8 of a Federal reserve bank and as the Federal reserve
9 agent for the district of such bank.

10 “(2) PROVISIONS RELATING TO CHAIR-
11 PERSON.—

12 “(A) REPORTS TO AND REPRESENTATION
13 OF THE BOARD OF GOVERNORS.—The chair-
14 person of the board of directors of a Federal re-
15 serve bank shall—

16 “(i) make regular reports to the
17 Board; and

18 “(ii) shall act as the official represent-
19 ative of the Board for the performance of
20 the functions conferred upon the Board by
21 this Act.

22 “(B) COMPENSATION.—The chairperson of
23 the board of directors of a Federal reserve bank
24 shall receive an annual compensation to be fixed

1 by the Board and paid monthly by the Federal
2 reserve bank.

3 “(3) DEPUTY CHAIRPERSON.—The Board shall
4 designate 1 of the class B directors of the board of
5 directors of each Federal reserve bank as the deputy
6 chairperson of such board of directors who shall, in
7 the absence or disability of the chairperson or during
8 a vacancy in the office of chairperson, serve as
9 chairperson of the board of directors.

10 “(4) OTHER ACTING CHAIRPERSON.—In the ab-
11 sence or disability of the chairperson and deputy
12 chairperson of the board of directors of a Federal
13 district bank or during a vacancy in the offices of
14 chairperson and deputy chairperson, the Board shall
15 designate another class B director as the acting
16 chairperson of the board of directors.

17 “(h) ASSISTANT FEDERAL RESERVE AGENTS.—

18 “(1) APPOINTMENT.—The Federal reserve
19 agent shall appoint 1 or more assistant Federal re-
20 serve agents from among individuals with tested
21 banking experience.

22 “(2) DUTIES AND POWERS OF ASSISTANTS.—
23 Assistant Federal reserve agents shall—

24 “(A) assist the Federal reserve agent in
25 the performance of the duties of the office; and

1 “(B) shall have power to act in the Federal
2 reserve agent’s name and stead during the ab-
3 sence or disability of such agent or a vacancy
4 in the office of the Federal reserve agent.

5 “(3) BONDS.—The Board of Governors of the
6 Federal Reserve System shall require such bonds of
7 the assistant Federal reserve agents as the Board
8 may deem necessary for the protection of the United
9 States.

10 “(4) COMPENSATION.—Assistant Federal re-
11 serve agents shall receive an annual compensation,
12 to be fixed and paid in the same manner as that of
13 the Federal reserve agent.

14 “(i) COMPENSATION AND EXPENSES OF DIRECTORS,
15 OFFICERS, AND EMPLOYEES.—

16 “(1) TRAVEL EXPENSES.—Directors of Federal
17 reserve banks shall receive, in addition to any com-
18 pensation otherwise provided, a reasonable allowance
19 for necessary expenses in attending meetings of their
20 respective boards, which amounts shall be paid by
21 the respective Federal reserve banks.

22 “(2) COMPENSATION SUBJECT TO REVIEW.—
23 Any compensation that may be provided by boards
24 of directors of Federal reserve banks for directors,
25 officers, or employees shall be subject to the ap-

1 proval of the Board of Governors of the Federal Re-
2 serve System.

3 “(j) PUBLICATION OF RESULTS OF ELECTIONS AND
4 APPOINTMENTS OF DIRECTORS.—Notice of the appoint-
5 ment or election of any member of the board of directors
6 of any Federal reserve bank shall be published by the
7 Board or the Federal reserve bank as soon as practicable
8 after the appointment or election in newspapers of general
9 circulation in the district of the bank.

10 “(k) DEFINITIONS.—For purposes of this section and
11 section 3(b)(3)—

12 “(1) CONSUMER AND COMMUNITY ORGANIZA-
13 TION.—The term ‘consumer and community organi-
14 zation’ means any organization which has more than
15 a 2-year history of representing consumer or com-
16 munity interests in the provision of banking services,
17 services in connection with meeting credit needs, or
18 housing and financial consumer protections.

19 “(2) MINORITY.—The term ‘minority’ has the
20 meaning given to such term in section 1204(c)(3) of
21 the Financial Institutions Reform, Recovery, and
22 Enforcement Act of 1989.”.

23 (b) EFFECTIVE DATE.—The amendment made by
24 subsection (a) shall take effect at the end of the 1-year
25 period beginning on the date of the enactment of this Act,

1 except that regulations necessary to carry out the effect
2 of the amendment may be prescribed by the Board of Gov-
3 ernors of the Federal Reserve System before the end of
4 such period.

5 (c) STAGGERED APPOINTMENTS.—

6 (1) TERMINATION OF TERMS OF BOARD OF DI-
7 RECTORS OF FEDERAL RESERVE BANKS.—Notwith-
8 standing any provision of section 4 of the Federal
9 Reserve Act (as in effect on the day before the date
10 of the enactment of this Act), the term of office of
11 any member of the board of directors and any presi-
12 dent of any Federal reserve bank shall terminate at
13 the end of the 1-year period referred to in subsection
14 (b).

15 (2) APPOINTMENT OF PRESIDENTS OF FED-
16 ERAL RESERVE BANKS.—Of the presidents of the
17 Federal reserve banks first appointed after the end
18 of the 1-year period referred to in subsection (b)—

19 (A) 3 shall be appointed for a term of 5
20 years;

21 (B) 3 shall be appointed for a term of 4
22 years;

23 (C) 2 shall be appointed for a term of 3
24 years;

1 (D) 2 shall be appointed for a term of 2
2 years; and

3 (E) 2 shall be appointed for a term of 1
4 year,
5 as designated by the President at the time of the ap-
6 pointment.

7 (3) ELECTION OF CLASS A MEMBERS.—Of the
8 class A members of the boards of directors of each
9 Federal reserve bank first elected after the end of
10 the 1-year period referred to in subsection (b)—

11 (A) 1 shall be elected for a term of 3
12 years;

13 (B) 1 shall be elected for a term of 2
14 years; and

15 (C) 1 shall be elected for a term of 1 year,
16 as designated by the Board of Governors of the Fed-
17 eral Reserve System.

18 (4) APPOINTMENT OF CLASS B MEMBERS.—Of
19 the class B members of the boards of directors of
20 each Federal reserve bank first appointed after the
21 end of the 1-year period referred to in subsection
22 (b)—

23 (A) 2 shall be appointed for a term of 3
24 years;

1 (B) 2 shall be appointed for a term of 2
2 years; and

3 (C) 2 shall be appointed for a term of 1
4 year,

5 as designated by the Board of Governors of the Fed-
6 eral Reserve System.

7 **SEC. 3. INDEPENDENT AUDITS OF FEDERAL RESERVE**
8 **BOARD AND FEDERAL RESERVE BANKS RE-**
9 **QUIRED.**

10 (a) IN GENERAL.—The Federal Reserve Act is
11 amended by inserting after section 11A (12 U.S.C. 248a)
12 the following new section:

13 **“SEC. 11B. INDEPENDENT AUDITS.**

14 “The financial statement of the Board and each Fed-
15 eral reserve bank shall be audited annually in accordance
16 with generally accepted auditing standards by an inde-
17 pendent certified public accountant.”.

18 (b) REPEAL OF EXCEPTIONS TO GAO AUDIT AU-
19 THORITY.—Section 714(b) of title 31, United States Code,
20 is amended by striking “Audits of the Federal Reserve
21 Board and Federal reserve banks may not include—” and
22 all that follows through the period at the end.

1 **SEC. 4. PROMPT PUBLIC DISCLOSURE OF OPEN MARKET**
2 **COMMITTEE MEETINGS.**

3 Section 12A of the Federal Reserve Act (12 U.S.C.
4 263) is amended by adding at the end the following new
5 subsection:

6 “(d) PROMPT PUBLIC DISCLOSURES OF MEET-
7 INGS.—

8 “(1) TRANSCRIPTION AND VIDEOTAPE OF EACH
9 MEETING.—A written copy of the minutes of each
10 meeting of the Federal Open Market Committee and
11 a transcription and a videotape of the discussion at
12 each such meeting shall be made available to the
13 public before the end of the 60-day period beginning
14 on the date of the meeting and shall be treated as
15 a Government publication for purposes of making
16 such material available to depository libraries
17 through the facilities of the Superintendent of Docu-
18 ments in accordance with chapter 19 of title 41,
19 United States Code.

20 “(2) PROMPT DISCLOSURE OF POLICY AC-
21 TIONS.—An explicit, written description of any de-
22 termination, decision, directive, or other conclusion
23 made by the Federal Open Market Committee at
24 any meeting of the committee, including any direc-
25 tive or instruction sent to any Federal reserve bank
26 or Federal reserve agent in connection with any

1 open market operation shall be made available to the
 2 public by the end of the 1-week period beginning on
 3 the date of the meeting.

4 “(3) MEETING INCLUDES EXECUTIVE SES-
 5 SION.—For purposes of this subsection, the term
 6 ‘meeting’ includes any executive session of the Fed-
 7 eral Open Market Committee or any informal meet-
 8 ing or other occasion at which a quorum of the
 9 members of the committee are present.”.

10 **SEC. 5. ELIGIBILITY REQUIREMENTS FOR BOARD OF DI-**
 11 **RECTORS OF BRANCHES OF FEDERAL RE-**
 12 **SERVE BANKS.**

13 Section 3 of the Federal Reserve Act (12 U.S.C. 521)
 14 is amended—

15 (1) in the 1st paragraph—

16 (A) by striking “SEC. 3. The Board of
 17 Governors of the Federal Reserve System” and
 18 inserting the following:

19 **“SEC. 3. FEDERAL RESERVE BANK BRANCH OFFICES.**

20 “(a) ESTABLISHMENT OF BRANCHES.—The Board”;
 21 and

22 (B) by striking the 2d and 3d sentences;

23 (2) in the 2d paragraph, by striking “The
 24 Board of Governors of the Federal Reserve System”
 25 and inserting the following:

1 “(c) DISCONTINUANCE OF BRANCHES.—The Board”;

2 (3) in the 3d paragraph, by striking “No Fed-
3 eral Reserve Bank” and inserting the following:

4 “(d) CONSTRUCTION OF BRANCH BUILDINGS.—No
5 Federal reserve bank”; and

6 (4) by inserting after subsection (a) (as so des-
7 ignated by the amendment made by paragraph
8 (1)(A) of this section) the following new subsection:

9 “(b) MANAGEMENT OF BRANCHES.—

10 “(1) BOARD OF DIRECTORS.—Subject to such
11 regulations as the Board may prescribe, each branch
12 of a Federal reserve bank shall be under the super-
13 vision of a board of directors composed of not fewer
14 than 3 members and not more than 7 members ap-
15 pointed as follows:

16 “(A) A majority of 1 of the members ap-
17 pointed by the Federal reserve bank.

18 “(B) The remainder of the members ap-
19 pointed by the Board.

20 “(2) TERMS.—Members of the board of direc-
21 tors of a branch of a Federal reserve bank shall hold
22 office at the pleasure of the Board.

23 “(3) DIVERSIFIED REPRESENTATION.—In ap-
24 pointing members of the board of directors of any
25 branch of a Federal reserve bank, the Board and the

1 bank shall include representatives of agriculture,
2 small business, labor, consumer and community or-
3 ganizations, women, and minorities.

4 “(4) ELIGIBILITY PROVISION.—No individual
5 may be appointed by the Board as a member of the
6 board of directors of a branch of a Federal reserve
7 bank who—

8 “(A) has resided in such bank’s district for
9 less than 2 years; or

10 “(B) has been a director, officer, employee,
11 or controlling shareholder of a depository insti-
12 tution (as defined in section 19(b)(1)(A)) or
13 any affiliate of a depository institution at any
14 time during the preceding 2-year period.

15 “(5) INELIGIBILITY OF DIRECTORS APPOINTED
16 BY THE BOARD FOR OTHER OFFICES.—No member
17 of the board of directors of a branch of a Federal
18 reserve bank who was appointed to such position by
19 the Board may be a director, officer, employee, or
20 shareholder of any depository institution (as defined
21 in section 19(b)(1)(A)) or depository institution
22 holding company (as defined in section 3(w)(1) of
23 the Federal Deposit Insurance Act).”.

1 **SEC. 6. FEDERAL RESERVE DISTRICT ADVISORY COUNCILS.**

2 Section 4 of the Federal Reserve Act (as amended
3 by section 2) is amended by adding after subsection (k)
4 (as added by section 2 of this Act) the following new sub-
5 section:

6 “(l) FEDERAL RESERVE DISTRICT ADVISORY COUN-
7 CILS.—

8 “(1) ESTABLISHMENT.—Each Federal reserve
9 bank shall establish at least 1 advisory council con-
10 sisting of representatives of agriculture, small busi-
11 ness, labor, consumer and community organizations,
12 women, and minorities to advise the bank on issues
13 relating to the bank.

14 “(2) MEETINGS.—Each council established
15 under paragraph (1) for any Federal reserve district
16 shall meet at least once during the 1st 6-month pe-
17 riod and once during the 2d 6-month period of each
18 year.

19 “(3) BANK DIRECTOR ATTENDANCE AT ADVI-
20 SORY COUNCIL MEETINGS.—At least 1 member of
21 the board of directors of any Federal reserve bank
22 shall attend each meeting of each advisory council
23 established by such bank.

24 “(4) RECOMMENDATIONS OF COUNCIL.—Each
25 advisory council established by any Federal reserve
26 bank shall promptly submit to the bank any rec-

1 commendation which the council determines is appro-
2 priate.”.

3 **SEC. 7. REPEAL OF EXEMPTION OF FEDERAL RESERVE**
4 **BOARD AND FEDERAL RESERVE BANKS FROM**
5 **TITLE VII OF THE CIVIL RIGHTS ACT OF 1964.**

6 Section 701(b) of the Civil Rights Act of 1964 (42
7 U.S.C. 2000e(b)) is amended by adding at the end the
8 following new sentence: “The term ‘employer’ includes the
9 Board of Governors of the Federal Reserve System and
10 each Federal reserve bank.”.

11 **SEC. 8. FEDERAL RESERVE ACCOUNTABILITY COMMISSION.**

12 (a) ESTABLISHMENT.—There is hereby established
13 the Federal Reserve Accountability Commission (hereafter
14 in this Act referred to as the “Commission”).

15 (b) DUTIES OF THE COMMISSION.—The Commission
16 shall conduct studies on the following issues:

17 (1) APPROPRIATENESS OF EXISTING FEDERAL
18 RESERVE DISTRICTS.—The appropriateness of the
19 designation of Federal reserve cities and the bound-
20 aries of the Federal reserve districts as of the date
21 of the enactment of this Act, taking into account
22 personal income in each of the districts and the per-
23 centage of gross domestic product which is attrib-
24 utable to each district, population distribution and
25 other demographic patterns and trends, the needs of

1 the business community (including small businesses)
2 and consumers and other retail users of financial
3 services, and evolving methods and patterns of com-
4 munication.

5 (2) APPROPRIATENESS OF STOCK PURCHASE
6 REQUIREMENTS AND DIVIDEND PAYMENTS.—The
7 appropriateness of—

8 (A) the requirement that national banks
9 and State member banks purchase stock in
10 Federal reserve banks; and

11 (B) the rate of dividends paid by Federal
12 reserve banks to shareholders.

13 (3) VALUATION OF AND FEASIBILITY OF
14 TRANSFERRING CHECK CLEARING SERVICES.—An
15 assessment of the fair market value of the check
16 clearing system of the Board of Governors of the
17 Federal Reserve System and the feasibility of divest-
18 ing a portion of the check clearing system, taking
19 into account the economic benefits to be derived
20 from, and efficiencies to be achieved as a result of,
21 the divestment.

22 (4) EFFECT OF FED OPERATIONS ON LOW- AND
23 MODERATE-INCOME FAMILIES.—The extent to which
24 the regulations of the Board of Governors of the

1 Federal Reserve System and the operations of the
2 Board and the Federal reserve banks have—

3 (A) reduced or otherwise affected the avail-
4 ability of credit to low- and moderate-income
5 families, including residential mortgage loans;

6 (B) reduced or otherwise affected the
7 availability of financial services (other than
8 credit) for low- and moderate-income families
9 and neighborhoods; and

10 (C) increased or otherwise affected the cost
11 to low- and moderate-income families for ob-
12 taining financial services, including credit.

13 (5) APPROPRIATENESS OF ABOLISHING SWAP
14 FUND.—The appropriateness of prohibiting the
15 Board of Governors of the Federal Reserve System
16 from engaging in reciprocal currency exchanges (so
17 called “swap” operations) or maintaining any fund
18 or account for such exchanges other than by direc-
19 tion of the Secretary of the Treasury.

20 (6) APPROPRIATENESS OF SALARY AND CLASSI-
21 FICATION STRUCTURE.—The appropriateness of the
22 salary and classification structure for employees of
23 the Board of Governors of the Federal Reserve Sys-
24 tem and the Federal reserve banks.

25 (c) MEMBERSHIP.—

1 (1) NUMBER AND APPOINTMENT.—The Com-
2 mission shall consist of 9 members appointed as fol-
3 lows:

4 (A) 3 appointed by the President.

5 (B) 3 appointed by the Speaker of the
6 House of Representatives, 2 of whom shall be
7 appointed from among individuals proposed by
8 the majority leader and 1 of whom shall be ap-
9 pointed from among individuals proposed by the
10 minority leader.

11 (C) 3 appointed by the President pro tem-
12 pore of the Senate, 2 of whom shall be ap-
13 pointed from among individuals proposed by the
14 majority leader and 1 of whom shall be ap-
15 pointed from among individuals proposed by the
16 minority leader.

17 (2) POLITICAL AFFILIATION.—Not more than 2
18 members appointed by the President may be of the
19 same political party.

20 (3) TERMS.—Each member shall be appointed
21 for the life of the Commission.

22 (4) BASIC PAY.—

23 (A) RATES OF PAY.—Members shall serve
24 without pay.

1 (B) TRAVEL EXPENSES.—Each member
2 shall receive travel expenses, including per diem
3 in lieu of subsistence, in accordance with sec-
4 tions 5702 and 5703 of title 5, United States
5 Code.

6 (C) QUORUM.—5 members of the Commis-
7 sion shall constitute a quorum but a lesser
8 number may hold hearings.

9 (D) CHAIRPERSON; VICE CHAIRPERSON.—
10 The Chairperson and Vice Chairperson of the
11 Commission shall be designated by the Presi-
12 dent from among the members appointed by the
13 President at the time of the appointment.

14 (E) MEETINGS.—The Commission shall
15 meet at the call of the Chairperson or a major-
16 ity of the members.

17 (d) DIRECTOR AND STAFF OF COMMISSION; EX-
18 PERTS AND CONSULTANTS.—

19 (1) DIRECTOR.—The Commission shall have a
20 Director who shall be appointed by the Chairperson
21 with the approval of the Commission.

22 (2) STAFF.—With the approval of the Commis-
23 sion, the Director may appoint and fix the pay of
24 such personnel as the Director considers appro-
25 priate.

1 (3) APPLICABILITY OF CERTAIN CIVIL SERVICE
2 LAWS.—The Director and staff of the Commission
3 may be appointed without regard to the provisions
4 of title 5, United States Code, governing appoint-
5 ments in the competitive service, and may be paid
6 without regard to the provisions of chapter 51 and
7 subchapter III of chapter 53 of that title relating to
8 classification and General Schedule pay rates, except
9 that an individual so appointed may not receive pay
10 in excess of the annual rate of basic pay payable for
11 level V of the Executive Schedule.

12 (4) EXPERTS AND CONSULTANTS.—With the
13 approval of the Commission, the Director may pro-
14 cure temporary and intermittent services under sec-
15 tion 3109(b) of title 5, United States Code.

16 (5) STAFF OF FEDERAL AGENCIES.—Upon the
17 request of the Chairperson, the head of any Federal
18 department or agency may detail, on a reimbursable
19 basis, any of the personnel of that department or
20 agency to the Commission to assist the Commission
21 in carrying out the Commission's duties under this
22 Act.

23 (e) POWERS OF COMMISSION.—

24 (1) HEARINGS AND SESSIONS.—The Commis-
25 sion may, for the purpose of carrying out this sec-

1 tion, hold hearings, sit and act at times and places,
2 take testimony, and receive evidence as the Commis-
3 sion considers appropriate.

4 (2) POWERS OF MEMBERS AND AGENTS.—Any
5 member or agent of the Commission may, if author-
6 ized by the Commission, take any action which the
7 Commission is authorized to take by this section.

8 (3) OBTAINING OFFICIAL DATA.—

9 (A) IN GENERAL.—The Commission may
10 secure directly from the Board of Governors of
11 the Federal Reserve System and any other de-
12 partment or agency of the United States infor-
13 mation necessary to enable the Commission to
14 carry out this Act.

15 (B) REQUEST.—Upon the request of the
16 Chairperson or Vice Chairperson of the Com-
17 mission, the Board of Governors of the Federal
18 Reserve System and the head of any other de-
19 partment or agency referred to in subparagraph
20 (A) shall furnish the requested information to
21 the Commission.

22 (4) MAILS.—The Commission may use the
23 United States mails in the same manner and under
24 the same conditions as other departments and agen-
25 cies of the United States.

1 (5) ADMINISTRATIVE SUPPORT SERVICES.—

2 Upon the request of the Commission, the Adminis-
3 trator of General Services shall provide to the Com-
4 mission, on a reimbursable basis, the administrative
5 support services necessary for the Commission to
6 carry out the Commission's responsibilities under
7 this section.

8 (f) FINAL REPORT.—

9 (1) REQUIRED.—The Commission shall trans-
10 mit a final report to the President, the Board of
11 Governors of the Federal Reserve System, and the
12 Congress before the end of the 18-month period be-
13 ginning on the date of the enactment of this Act.

14 (2) CONTENTS.—The final report shall contain
15 a detailed statement of the findings and conclusions
16 of the Commission, together with the Commission's
17 recommendations for legislative and administrative
18 actions as the Commission considers appropriate.

19 (g) TERMINATION.—

20 (1) IN GENERAL.—The Commission shall termi-
21 nate not later than 30 days after submitting the
22 final report pursuant to subsection (e).

23 (2) APPLICABILITY OF FEDERAL ADVISORY
24 COMMITTEE ACT.—The Federal Advisory Committee
25 Act shall not apply to the Commission.

1 (h) AUTHORIZATION OF APPROPRIATIONS.—

2 There is authorized to be appropriated for fiscal years
3 1994 and 1995 a total of \$1,000,000 to carry out this
4 section.

5 **SEC. 9. RECESS APPOINTEES AND ACTING PRESIDENTS OF**
6 **FEDERAL RESERVE BANKS PROHIBITED**
7 **FROM PARTICIPATING IN DECISIONS OF THE**
8 **FEDERAL OPEN MARKET COMMITTEE.**

9 (a) IN GENERAL.—Section 12A of the Federal Re-
10 serve Act (12 U.S.C. 263) is amended by adding after sub-
11 section (d) (as added by section 4 of this Act) the following
12 new subsection:

13 “(e) VOTING ELIGIBILITY REQUIREMENT.—No indi-
14 vidual may vote in any meeting of the Committee or other-
15 wise participate in making any final determination of the
16 Committee or approving any directive or instruction sent
17 to any Federal reserve bank or Federal reserve agent in
18 connection with any open market operation unless such
19 individual votes or otherwise participates by virtue of a
20 position held by such individual to which the individual
21 has been appointed by the President, by and with the ad-
22 vice and consent of the Senate.”.

23 (b) TECHNICAL AND CONFORMING AMENDMENTS.—
24 Section 12A(a) of the Federal Reserve Act (12 U.S.C.
25 263) is amended—

1 (1) in the 1st sentence, by striking “or first vice
2 presidents”; and

3 (2) in the 3d sentence, by striking “or first vice
4 president”.

5 **SEC. 10. FEDERAL RESERVE BANKS TREATED AS AGENCIES**
6 **FOR PURPOSES OF FREEDOM OF INFORMA-**
7 **TION ACT.**

8 Section 552(f) of title 5, United States Code, is
9 amended by inserting “Federal reserve bank,” after “Gov-
10 ernment controlled corporation,”.

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